

Dodd-Frank Wall Street Reform and Consumer Protection Act - **Title I: Financial Stability** - Financial Stability Act of 2010 - **Subtitle A: Financial Stability Oversight Council** - (Sec. 111) Establishes the Financial Stability Oversight Council (Council), consisting of the heads of specified federal financial regulatory bodies and chaired by the Secretary of the Treasury.

(Sec. 112) Requires the Council, among other things, to: (1) identify risks to U.S. financial stability that could arise from the material financial distress or failure, or ongoing activities, of large, interconnected bank holding companies or nonbank financial companies, or that could arise outside the financial services marketplace; (2) promote market discipline, by eliminating expectations on the part of shareholders, creditors, and counterparties of such companies that the Government will shield them from losses in the event of failure; (3) respond to emerging threats to the stability of the financial system.

Includes among the Council's duties: (1) identifying gaps in regulation that could pose risks to U.S. financial stability; (2) requiring supervision by the Board of Governors of the Federal Reserve (Board) for nonbank financial companies that may pose risks to U.S. financial stability in the event of their material financial distress or failure, or because of specified activities; (3) making recommendations to the Board concerning the establishment of heightened prudential standards for risk-based capital, leverage, liquidity, contingent capital, and overall risk management for nonbank financial companies and large, interconnected bank holding companies supervised by the Board; and (4) identifying systemically important financial market utilities and payment, clearing, and settlement activities.

(Sec. 113) Authorizes the Council to determine that a foreign or a U.S. nonbank financial company shall be supervised by the Board and subject to prudential standards under this Act, if the Council determines that material financial distress, or activities at the company, could threaten U.S. financial stability.

Authorizes the company, upon the Council's determination, to establish an intermediate holding company in which its financial activities (and those of its subsidiaries) are conducted in compliance with Board regulations or guidance. Subjects such intermediate holding company to Board supervision and to prudential standards under this Act as if it were a nonbank financial company supervised by the Board.

Restricts Board supervision to the company's financial activities only.

Requires the Council, in exercising its duties with respect to foreign nonbank financial companies, foreign-based bank holding companies, and cross-border activities and markets, to consult with appropriate foreign regulatory authorities.

(Sec. 114) Requires any nonbank financial company determined to come under Board supervision to register with the Board.

(Sec. 115) Authorizes the Council to recommend to the Board prudential standards and reporting and disclosure requirements for Board-supervised nonbank financial companies and large, interconnected bank holding companies that: (1) are more stringent than those for other nonbank financial companies and bank holding companies that do not present similar risks to the U.S. financial stability; and (2) increase in stringency, based upon specified considerations.

Requires the Council to study and report to Congress on the feasibility, benefits, costs, and structure of a contingent capital requirement for Board-supervised nonbank financial companies and large, interconnected bank holding companies.

Authorizes the Council to make recommendations to the Board about Board-supervised nonbank financial companies and large, interconnected bank holding companies, including: (1) required periodic reports on company plans for rapid and orderly resolution in the event of material financial distress or failure; (2) company credit exposure; (3) standards to limit risks posed by failure of any individual company to other companies; and (4) short-term company debt limits.

(Sec. 116) Authorizes the Council, acting through the Office of Financial Research, to require a bank holding company with total consolidated assets of \$50 billion or more or a Board-

supervised nonbank financial company (and subsidiaries) to submit certified reports of condition and risk management systems.

(Sec. 117) Treats as a Board-supervised nonbank financial company any entity that: (1) was a bank holding company having total consolidated assets 50 billion or more as of January 1, 2010; (2) received financial assistance under or participated in the Capital Purchase Program established under the Troubled Asset Relief Program (TARP) under the Emergency Economic Stabilization Act of 2008 (EESA); or (3) is a successor entity.

Prescribes a procedure for appeal from such treatment.

(Sec. 118) Treats Council expenses as expenses of, and paid by, the Office of Financial Research.

(Sec. 119) Prescribes procedures for resolution by the Council of supervisory jurisdictional disputes among member agencies.

(Sec. 120) Authorizes the Council, in specified circumstances, to provide for more stringent regulation of a financial activity by issuing recommendations to primary financial regulatory agencies to apply new or heightened standards and safeguards for a financial activity or practice conducted by bank holding companies or nonbank financial companies.

Requires such primary agencies to impose the standards recommended by the Council.

(Sec. 121) Requires the Board to take mitigatory actions restricting the activities of bank holding companies with total consolidated assets of \$50 billion or more, or Board-supervised nonbank financial companies, which pose a grave threat to U.S. financial stability, including: (1) limiting the company's ability to become affiliated with another company; (2) restricting the company's ability to offer a financial product or products; (3) requiring the company to terminate one or more activities; (4) imposing conditions on the manner in which the company conducts activities; or (5) requiring the company to transfer assets or off-balance-sheet items to unaffiliated entities.

(Sec. 122) Authorizes the Comptroller General (GAO) to audit Council activities.

(Sec. 123) Instructs the Council Chairperson to study and report to Congress on the economic impact of possible financial services regulatory limitations intended to reduce systemic risk.

**Subtitle B: Office of Financial Research** - (Sec. 152) Establishes within the Department of the Treasury the Office of Financial Research (OFR) to support the Council and member agencies in: (1) collecting and standardizing data collections; (2) performing applied research and essential long-term research; and (3) developing risk measurement and monitoring tools.

(Sec. 154) Establishes the Data Center and the Research and Analysis Center to carry out OFR programmatic responsibilities.

(Sec. 155) Establishes the Financial Research Fund in the Treasury as depository for funds and assessments designated for the OFR.

**Subtitle C: Additional Board of Governors Authority for Certain Nonbank Financial Companies and Bank Holding Companies** - (Sec. 161) Authorizes the Board to require a nonbank financial company under its supervision (and any subsidiary) to report under oath regarding its financial condition, its systems for monitoring and controlling risks, and the extent to which its activities and operations threaten U.S. financial stability.

Authorizes the Board to examine such companies regarding such matters.

(Sec. 162) Subjects a Board-supervised nonbank financial company (and any subsidiaries that are not depository institutions) to specified enforcement proceedings of the Federal Deposit Insurance Act (FDIA) in the same manner and to the same extent as if it were a bank holding company.

Authorizes the Board to recommend that primary financial regulatory agency initiate supervisory actions or enforcement proceedings against noncompliant depository institution or functionally regulated subsidiaries.

(Sec. 163) Treats a Board-supervised nonbank financial company as a statutory bank holding company for purposes of requirements governing bank acquisitions.

Requires a bank holding company with total consolidated assets of \$50 billion or more or a Board-supervised nonbank financial company to notify the Board in writing in advance of any transaction in which it acquires direct or indirect ownership or control of voting shares of a company (other than an insured depository institution) which: (1) has total consolidated assets of \$10 billion or more; and (2) is engaged in specified activities under the Bank Holding Company Act of 1956.

(Sec. 164) Treats a Board-supervised nonbank financial company as a bank holding company for purposes of the Depository Institutions Management Interlocks Act. Prohibits the Board, however, from permitting service by a management official of a Board-supervised nonbank financial company as a management official of any bank holding company with total consolidated assets of \$50 billion or more, or any other Board-supervised nonaffiliated nonbank financial company (except to provide a temporary exemption for interlocks resulting from a merger, acquisition, or consolidation).

(Sec. 165) Requires the Board to establish, for Board-supervised nonbank financial companies and for bank holding companies with total consolidated assets of \$50 billion or more, prudential standards addressing specified requirements that: (1) are more stringent than those for other nonbank financial companies and bank holding companies that do not present similar risks to the U.S. financial stability; and (2) increase in stringency, based upon specified considerations.

Authorizes the Board to require each Board-supervised nonbank financial company and bank holding companies with total consolidated assets of \$50 billion or more to maintain a minimum amount of contingent capital convertible to equity in times of financial stress.

Directs the Board to require each Board-supervised nonbank financial company and such bank holding companies to report periodically: (1) their plans for rapid and orderly resolution in the event of material financial distress or failure; and (2) the nature and extent of their credit exposure.

Requires the Board to prescribe standards limiting the risks and credit exposure that failure of any individual company could pose to a Board-supervised nonbank financial company or to a bank holding company with total consolidated assets of \$50 billion or more. Requires such regulations to prohibit credit exposure exceeding 25% of a company's capital stock and surplus (or a lower amount, if necessary).

Authorizes the Board to prescribe a limit on the amount of short-term debt, including off-balance sheet exposures, that may be accumulated by bank holding companies with total consolidated assets of \$50 billion or more or Board-supervised nonbank financial companies.

Directs the Board to require each publicly-traded Board-supervised nonbank financial company to establish a risk committee responsible for the oversight of the enterprise-wide risk management practices.

Requires the Board to conduct annual analyses in which Board-supervised nonbank financial companies and bank holding companies with total consolidated assets of \$50 billion or more are subject to evaluation of whether such companies have the capital, on a total consolidated basis, necessary to absorb losses as a result of adverse economic conditions (stress tests).

Directs the Board to require a bank holding company with total consolidated assets of \$50 billion or more or a Board-supervised nonbank financial company (but not any federal home loan bank) to maintain a debt to equity ratio of no more than 15 to 1, upon Council determination that the company poses a grave threat to the U.S. financial stability and that this requirement is necessary to mitigate that risk.

Requires the computation of capital in such companies to take into account any off-balance-sheet activities for purposes of meeting their capital requirements.

(Sec. 166) Directs the Board to prescribe early remediation requirements to address the financial distress of a Board-supervised nonbank financial company or a bank holding company with total consolidated assets of \$50 billion or more.

(Sec. 167) Authorizes the Board to require any nonbank financial company it supervises that conducts activities that are not financial in nature or incidental thereto under the Bank Holding Company Act of 1956 to establish and conduct all or a portion of such activities that are financial in nature or incidental thereto in or through an affiliated intermediate holding company.

Requires a company that directly or indirectly controls an intermediate holding company established under such affiliation procedures to serve as a source of strength to its subsidiary intermediate holding company.

(Sec. 170) Directs the Board to promulgate criteria for exempting from its supervision certain types or classes of U.S. nonbank financial companies or foreign nonbank financial companies.

(Sec. 171) Directs federal banking agencies to establish, on a consolidated basis, minimum leverage capital requirements and minimum risk-based capital requirements for insured depository institutions (except federal home loan banks), depository institution holding companies, and Board-supervised nonbank financial companies.

Directs the Comptroller General to study and report to Congress on access to capital by smaller insured depository institutions.

Requires the federal banking agencies to develop capital requirements for insured depository institutions, depository institution holding companies, and Board-supervised nonbank financial companies that address the risks their activities pose, including the risk to other public and private stakeholders in the event of adverse performance, disruption, or failure of the institution or the activity.

(Sec. 172) Amends the FDIA to subject Board-supervised nonbank financial companies and bank holding companies with total consolidated assets of \$50 billion or more to examination and enforcement action for insurance and liquidation purposes whenever the Board of Directors of the Federal Deposit Insurance Corporation (FDIC) determines that a special examination is necessary.

(Sec. 173) Amends the International Banking Act of 1978 to authorize the Board, when considering an application to establish in the United States a foreign bank that presents a risk to the stability of the U.S. financial system, to take into account whether the foreign bank's home country has adopted, or is making demonstrable progress toward adopting, an appropriate system of regulation for its financial system to mitigate such risk.

Authorizes the Board to order a foreign bank which presents a risk to the stability of the U.S. financial system, and which operates a state branch or agency or commercial lending company subsidiary in the United States, to terminate the activities of that branch, agency, or subsidiary if the foreign bank's home country has not adopted, or is not making demonstrable progress toward adopting, an appropriate system of regulation for its financial system to mitigate such risk.

Amends the Securities Exchange Act of 1934 to authorize the Securities and Exchange Commission (SEC), in determining whether to permit a foreign person or an affiliate to register as a U.S. broker or dealer, or succeed to the registration of a U.S. broker or dealer, to consider whether, for a foreign person or an affiliate that presents a risk to the stability of the U.S. financial system, the home country of the foreign person's home country has adopted, or is making demonstrable progress toward adopting, an appropriate system of regulation for its financial system to mitigate such risk.

Authorizes the SEC to terminate the registration of such foreign person as a broker or dealer in the United States, if the foreign person's home country has not adopted, or is not making demonstrable progress toward adopting, an appropriate system of regulation for its financial system to mitigate such risk.

(Sec. 174) Directs the Comptroller General to study and report to Congress on: (1) the use of hybrid capital instruments as a component of Tier 1 capital for banking institutions and bank holding companies; and (2) capital requirements applicable to U.S. intermediate holding companies of foreign banks that are bank holding companies or savings and loan holding companies.

(Sec. 175) Directs the President (or a designee) to coordinate through all available international policy channels policies similar to those found in U.S. law relating to limiting the scope, nature, size, scale, concentration, and interconnectedness of financial companies, in order to protect U.S. financial stability and the global economy.

Directs the Council Chairperson to consult regularly with the financial regulatory entities and other appropriate organizations of foreign governments or international organizations on matters relating to systemic risk to the international financial system.

Requires the Board and the Secretary to consult with their foreign counterparts and through appropriate multilateral organizations to encourage comprehensive and robust prudential supervision and regulation for all highly leveraged and interconnected financial companies.